

Town of Lauderdale-By-The-Sea, Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Prepared By: The Finance Department

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

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Town of

LAUDERDALE-BY-THE-SEA

4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610
Telephone: (954) 776-0576 • Fax: (954) 776-1857

OFFICE OF THE
TOWN MANAGER

January 15, 2008

Honorable Mayor and Commissioners:

State law requires that all general purpose local governments publish within one year of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lauderdale-By-The-Sea for the fiscal year ended September 30, 2007.

This report consists of management's representations concerning the finances of the Town of Lauderdale-By-The-Sea. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Lauderdale-By-The-Sea's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the Town's financial statements for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Lauderdale-By-The-Sea's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Lauderdale-By-The-Sea's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Lauderdale-By-The-Sea, incorporated in 1947, is located between the Atlantic Ocean and the Intracoastal Waterway on the Gold Coast of Florida. The Town is in the east-central part of Broward County, 30 miles north of Miami and 33 miles south of Palm Beach. Because of the Town's prime seaside location, it can be expected to continue economic growth from tourism and other industries.

The Town of Lauderdale-By-The-Sea is primarily a residential community. Employment within the Town is primarily executive/managerial, professional and sales. The major industries within the Town are retail trade, finance, insurance and real estate. Most residents are employed within South Florida. The Town is presently 8.5 miles in area and has a year-round population of approximately 5,991 residents. The peak seasonal population is approximately 9,800.

The Town of Lauderdale-By-The-Sea provides the full range of municipal services for its citizens. These include administration, public safety, public works, parks and recreation facilities, building, zoning, code enforcement and supports water, sewer, parking and stormwater utility systems.

The annual budget serves as the foundation for the Town of Lauderdale-By-The-Sea's financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town Manager and these requests are the starting point for developing a proposed budget. The Town Manager then presents this proposed budget to the commission for review. The commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Town's fiscal year. The budget is legally enacted through the passage of a resolution. The appropriated budget is prepared by fund and department (e.g., police). The classification detail at which expenditures may not legally exceed appropriations is at the fund level. The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted.

The Town operates under a commission-manager form of government. Policy-making and legislative authority are vested in the Town Commission, which consists of a mayor, a vice-mayor and three commissioners. The Town Commission is responsible, for passing ordinances, adopting and amending the annual budget, approving large purchases, adopting resolutions and appointing the Town Manager and Town Attorney.

The Town Manager is the chief administrative officer of the Town. The Town Manager is responsible for carrying out the policies and ordinances of the Commission, directing all Town employees, appointing and removing subordinate employees, preparing and submitting the annual budget and overseeing the day-to-day operations of the Town.

Public safety services consisting of police, fire and fire rescue are provided by the Broward County Sheriff's Office. The Department Of Development Services provides code enforcement.

The Town Commission meets on the second and fourth Tuesday of each month at 7:00 p.m. in Jarvis Hall, 4501 Ocean Drive, Lauderdale-By- The-Sea, Florida.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Lauderdale-By-The-Sea operates.

Local economy. The Town achieved tremendous growth, primarily residential, through annexation. The Town's 2006 final gross taxable value of \$2,140,677,012 increased to a current year gross taxable value of \$2,332,415,928 in 2007. This increase enabled the Town to decrease the millage rate to 4.35 per \$1,000 of assessed property values in fiscal year 2006-2007. This millage rate enables the Town to continue its high level of services and provide additional funding for the Townwide Capital Improvement Projects. The continued increase in property values continues to positively impact the Town in the upcoming year and is likely that the current millage rate of 4.35 will be reduced.

The Town continues to study the availability of vacant land or property within the Town limits to continue to improve townwide infrastructure, updating zoning protection, and funding capital improvement projects that support a healthy economical residential and business district.

Long-term financial planning. The Town was awarded local and state funding in order to continue townwide capital projects. Some of the grant funds are earmarked for fiscal year beginning 2007 and 2008. In addition the Town was able to pay off two loans in the General and Stormwater funds. Obtaining grants funds and the opportunity to pay off promissory notes thereby reducing debt enables the town to successfully complete major capital projects. In fiscal year 2006-2007 the Town completed over \$ 1.3 million in projects as listed below:

- Sanitary Sewer Projects in the northern part of town - Terra Mar and Sunset Lane.
- Stormwater Drainage Project in the northern part of town - Terra Mar and Sunset Lane.

The Town reviewed plans, accepted bids and awarded approximately \$ 3.7 million in construction contracts during fiscal year 2006-2007 in order to begin and complete the following projects in fiscal year 2007-2008:

- Sanitary Sewer and Drainage projects in the northern part of town – Bel Air.
- Renovation of Jarvis Hall and Commission Chamber.
- Beach Access ways project.
- North Seagrape Sidewalk, Landscape and Drainage project.
- Reef and Fish Habitat project.

The Town continues to review plans and prepare bid documents in the amount of approximately \$2.9 million in order to award construction contracts and begin the below projects during fiscal year 2007-2008:

- Sanitary Sewer and Drainage projects in the northern part of town (Palm Club).
- Town Entryway project.
- Beach Pavilion.
- Terra Mar bridge and seawall.

The Town continues to improve the Capital Improvement Program by reviewing proposed plans, revising plan documents and when funding permits expanding projects. This approach will allow the Town to refine project cost estimates and undertake several capital improvement projects during the year.

The Town remains poised to move boldly into redevelopment by improving and maintaining infrastructure and fund beautification projects, which contribute to a healthy municipality and provide an economically viable business district. When done properly the Town residents' taxes will remain low while the service level remains high. If there is no redevelopment, the alternative will be higher taxes and a reduction of the quality of life.

Cash Management

As of September 30, 2007, the Town had \$2,302,028 in emergency reserves. Most of the Town's unrestricted cash is deposited in pooled cash money market accounts and in repurchase agreements. Cash, temporarily idle and not required for current operation, is invested with the Florida State Board of Administration's Local Government Surplus Trust Investment Pool.

Risk Management

The Town obtains insurance coverage from the Florida Municipal Insurance Trust. In addition to maintaining the mandated insurance coverage the Town participates in the Florida League of Cities premium credit programs. This led to an incentive of \$26,150 in the current fiscal year. Since entering the Town in the Premium Credit Program, in FY 96/97, the Town has saved approximately \$322,310.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for the past 9 years. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

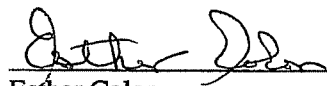
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the Town again received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning October 1, 2006. In order to qualify for the Distinguished Budget Presentation Award the Town's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

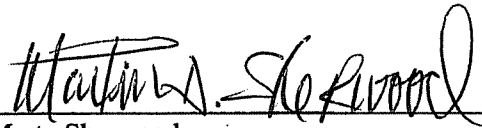
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the administration and finance department. We would also like to extend our thanks to the firm of Rachlin Cohen & Holtz LLP for their professional conduct of the Town's annual audit.

Finally, we wish to acknowledge the interest, funding and support of the Town Commission in management's planning and conducting the financial operations in a responsible and progressive manner

Respectfully submitted,



Esther Colon
Town Manager

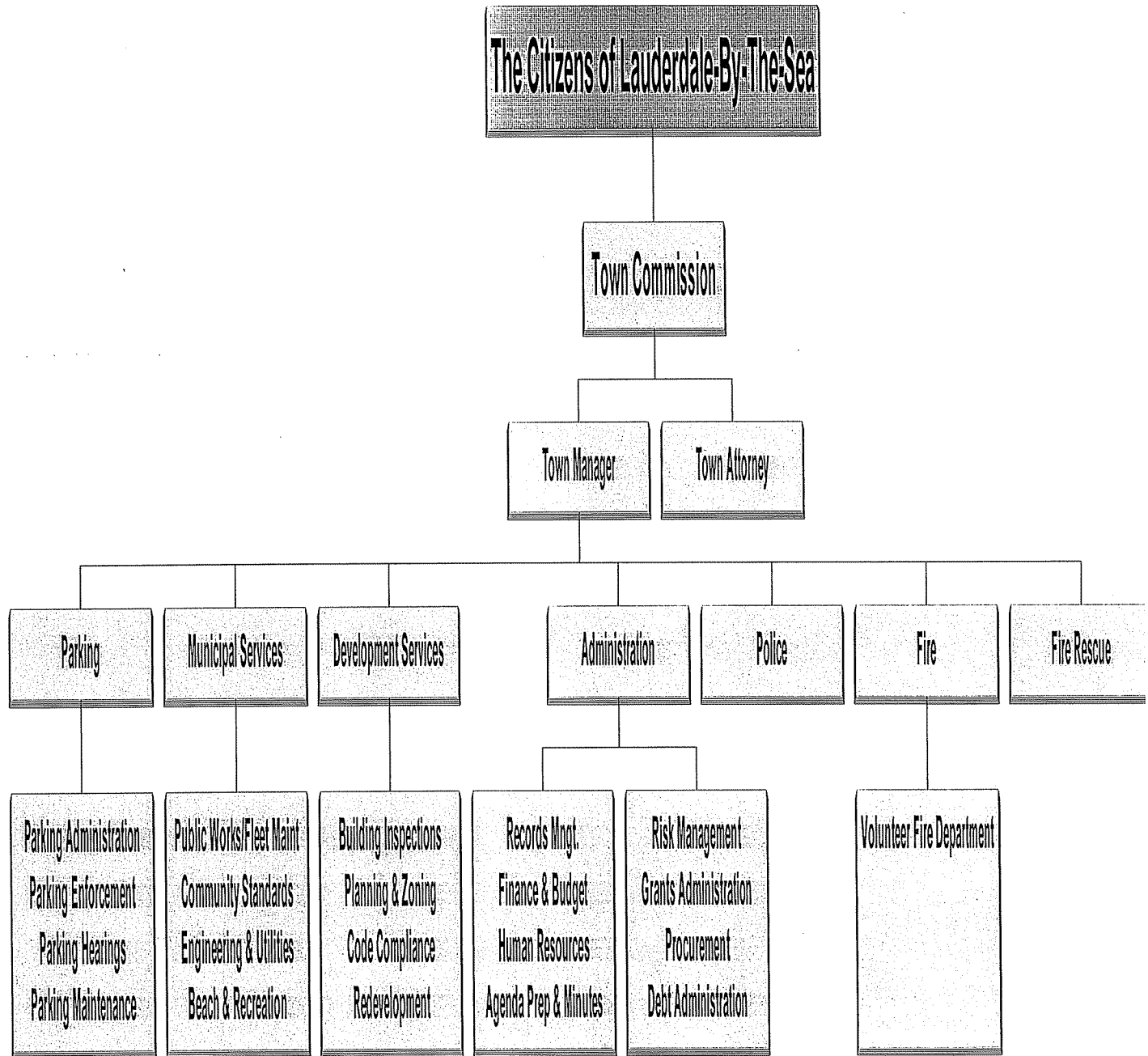


Marty Sherwood
Finance – Budget Director

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

ORGANIZATION CHART

SEPTEMBER 30, 2007



TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2007

TOWN COMMISSIONERS

Oliver Parker - Mayor
John L. Yanni – Vice-Mayor
Charles Clark - Mayor Pro Tem
Jerry McIntee
Jim Silverstone

TOWN MANAGER

Esther Colon

TOWN ATTORNEY

James A. Cherof

TOWN CLERK

June White

FINANCE-BUDGET DIRECTOR

Martin Sherwood

TOWN AUDITORS

Rachlin Cohen & Holtz LLP
Accountants • Advisors

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Town of Lauderdale by the Sea
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Clare S. Cox

President

Jeffrey R. Enos

Executive Director

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FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lauderdale-By-The-Sea, Florida (the Town) as of and for the fiscal year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2008 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Rachlin Cohen & Holtz LLP

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Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Two

Management's Discussion and Analysis and the Required Supplementary Information on pages 3 to 9 and pages 39 to 42, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund statements and schedules and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information shown in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rachlin LLP

Fort Lauderdale, Florida
January 15, 2008

MANAGEMENT'S DISCUSSION ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Lauderdale-By-The-Sea financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal in the introductory section and in conjunction with the Town's basic financial statements, which begin on page 10.

Financial Highlights

The assets of the Town of Lauderdale-By-The-Sea exceeded its liabilities at the close of the most recent fiscal year by \$34,202,824 (*net assets*). Of this amount, \$16,290,589 (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors. The Town's assets increased by \$4,569,874 during the current fiscal year.

As of the close of the current fiscal year, the Town of Lauderdale-By-The-Sea's governmental funds reported combined ending fund balances of \$20,774,112, an increase of \$857,091 from the prior year.

At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$8,739,560 or 80.21% of total general fund expenditures. Of this amount, \$3,591,623 is proceeds from a promissory note.

Long-Term Debt

The Town of Lauderdale-By-The-Sea has outstanding debt of approximately \$13,782,358.

Although, The Town's Charter makes no reference to limitation of general obligation debt, the Administrative Policy is to limit the Town's general obligation debt to 10% of the Town's total reported assessed valuation.

Currently, the Town has eight long-term bank loans with a maturity dates extending to September 2020, which were obtained, to provide additional funding for major capital improvement projects, land and property acquisition. Principal and interest payments are budgeted in the appropriate fund.

<u>Bank Loan Balances by Fund</u>	<u>September 30, 2007</u>	<u>Annual Principal/ Interest Payments</u>
Stormwater Fund (Proprietary Fund)	\$ 897,905	\$ 89,474
Parking Fund (Proprietary Fund)	1,793,739	177,138
General Fund (Governmental Fund)	3,591,623	357,897
Capital Fund (Governmental Fund)	7,499,091	1,751,993

The following chart demonstrates the debt payments as a percent of debt compared to the Town's property assessed valuation for the past five years for governmental and proprietary funds.

<u>Fiscal Year</u>	<u>Property Assessed Valuation</u>	<u>Debt Service Payments</u>	<u>Debt Payment % of Assessed Valuation</u>
2003/2004	\$ 1,259,147,594	\$ 1,697,544	0.1348%
2004/2005	1,453,739,511	1,697,544	0.1168%
2005/2006	1,728,223,953	2,058,165	0.1191%
2006/2007	2,140,677,012	2,674,767	0.1249%
2007/2008	2,332,415,928	2,376,502	0.1019%

Additional information of the Town of Lauderdale-By-The-Sea's long-term debt can be found in Note 6.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statement by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Lauderdale-By-The-Sea's basic financial statements. The Town of Lauderdale-By-The-Sea's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Lauderdale-By-The-Sea's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town of Lauderdale-By-The-Sea's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town of Lauderdale-By-The-Sea that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Lauderdale-By-The-Sea include general government, public safety, physical environment, recreation, and roads and street services. The business-type activities of the Town of Lauderdale-By-The-Sea include parking, stormwater, water and sewer operations.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lauderdale-By-The-Sea, like other state and local governments use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Lauderdale-By-The-Sea can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Lauderdale-By-The-Sea maintains three individual governmental funds (general, capital projects, special revenue). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital improvement fund, both of which are considered to be major funds.

The Town of Lauderdale-By-The-Sea adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary funds. The Town of Lauderdale-By-The-Sea maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Lauderdale-By-The-Sea uses enterprise funds to account for its parking, stormwater, water and sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, parking and stormwater operations, which are considered to be a major fund of the Town of Lauderdale-By-The-Sea.

The basic proprietary fund financial statements can be found on pages 15-18 of this report.

The Town As Trustee

The Town is the trustee, or fiduciary, for the Volunteer Firefighters' Pension Trust Fund. The *Pension Trust Fund* uses the accrual basis of accounting and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 19. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-38 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. In the case of the Town of Lauderdale-By-The-Sea, total net assets exceeded liabilities by \$34,202,824 at the close of the most recent fiscal year.

By far the largest portion of the Town of Lauderdale-By-The-Sea's net assets reflects its investment in capital assets (e.g., roadways, improvements, equipment, buildings, land). The Town of Lauderdale-By-The-Sea uses these capital assets to provide services to citizens; consequently they are not available for future spending.

An additional portion of the Town of Lauderdale-By-The-Sea's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Lauderdale-By-The-Sea is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

Due to lesser than anticipated expenditures, the Town's net assets increased by \$5,572,382 during the current fiscal year.

Governmental activities. Governmental activities increased the Town of Lauderdale-By-The-Sea's net assets by \$4,207,649, thereby accounting for 75.51% of the total growth in the net assets of the Town of Lauderdale-By-The-Sea, basically due to the delay of the expenditure of funds for the expansion of the Administration Building and the delay of occupying the new Public Work Complex.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the Town of Lauderdale-By-The-Sea's net assets by \$1,364,733, accounting for 24.49% of the total growth in the government's net assets. The increase in net assets of the proprietary funds is primarily attributed to the transfers in from the General Fund totaling \$910,103. See page 16 of this report.

**Town of Lauderdale-By-The-Sea
Changes in Net Assets – Comparative**

	Governmental Activities	Business- type Activities	2007 Total	Governmental Activities	Business- type Activities	2006 Total
Current and other assets	\$ 21,622,772	\$ 3,789,166	\$ 25,411,938	\$ 20,310,701	\$ 2,825,734	\$ 23,136,435
Capital assets, net	<u>15,520,344</u>	<u>7,950,086</u>	<u>23,470,430</u>	<u>13,810,617</u>	<u>7,365,442</u>	<u>21,176,059</u>
Total assets	<u>37,143,116</u>	<u>11,739,252</u>	<u>48,882,368</u>	<u>34,121,318</u>	<u>10,191,176</u>	<u>44,312,494</u>
Long-term liabilities	11,223,331	2,691,644	13,914,975	13,430,463	2,847,397	16,277,860
Other liabilities	<u>690,961</u>	<u>73,608</u>	<u>764,569</u>	<u>318,253</u>	<u>66,699</u>	<u>384,952</u>
Total liabilities	<u>11,914,292</u>	<u>2,765,252</u>	<u>14,679,544</u>	<u>13,748,716</u>	<u>2,914,096</u>	<u>16,662,812</u>
Net assets:						
Invested in capital assets, net of related debt	11,755,888	6,156,347	17,912,235	380,150	4,518,045	4,898,195
Unrestricted	<u>13,472,936</u>	<u>2,817,653</u>	<u>16,290,589</u>	<u>19,992,452</u>	<u>2,759,035</u>	<u>22,751,487</u>
Total net assets	<u>\$ 25,228,824 *</u>	<u>\$ 8,974,000 *</u>	<u>\$ 34,202,824 *</u>	<u>\$ 20,372,602</u>	<u>\$ 7,277,080</u>	<u>\$ 27,649,682</u>

* Includes prior period adjustment to adjust capital assets in the amounts of \$648,573 for Governmental Activities and \$332,187 for Business-type Activities. Prior period adjustment not included in 2006 columns. This column is shown as previously reported.

Town of Lauderdale-By-The-Sea
Changes in Net Assets by Program – Comparative

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	2007 <u>Total</u>	Governmental <u>Activities</u>	Business- type <u>Activities</u>	2006 <u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,465,943	\$1,869,395	\$ 5,335,338	\$ 1,641,566	\$1,630,210	\$ 3,271,776
Operating grants and contributions	121,187	-	121,187	1,396,568	-	1,396,568
Capital grants and contributions	33,688	-	33,688	919,086	-	919,086
General revenues:						
Property taxes	9,028,855	-	9,028,855	-	-	-
Property taxes and assessments	-	-	-	9,936,889	-	9,936,889
Utility taxes based on gross receipts	843,958	-	843,958	-	-	-
Franchise fees based on gross receipts	777,059	-	777,059	-	-	-
Franchise fees and utility taxes	-	-	-	1,436,887	-	1,436,887
Communication service tax	353,019	-	353,019	350,519	-	350,519
Unrestricted interest	790,138	125,775	915,913	637,029	122,211	759,240
Other miscellaneous	172,465	-	172,465	240,127	-	240,127
Total revenues	<u>15,586,312</u>	<u>1,995,170</u>	<u>17,581,482</u>	<u>16,558,671</u>	<u>1,752,421</u>	<u>18,311,092</u>
Expenses:						
General government	1,828,236	-	1,828,236	2,294,198	-	2,294,198
Public safety	6,193,360	-	6,193,360	5,834,610	-	5,834,610
Roads and streets	1,429,615	-	1,429,615	1,441,914	-	1,441,914
Recreation	485,662	-	485,662	435,707	-	435,707
Physical environment	205,736	-	205,736	174,747	-	174,747
Interest on long-term debt	491,596	-	491,596	570,433	113,646	684,079
Water and sewer	-	1,011,135	1,011,135	-	927,638	927,638
Stormwater	-	190,236	190,236	-	80,317	80,317
Parking	-	173,524	173,524	-	76,594	76,594
	<u>10,634,205</u>	<u>1,374,895</u>	<u>12,009,100</u>	<u>10,751,609</u>	<u>1,198,195</u>	<u>11,949,804</u>
Increase in net assets before transfers	4,952,107	620,275	5,572,382	5,807,062	554,226	6,361,288
Transfers	<u>(744,458)</u>	<u>744,458</u>	<u>-</u>	<u>(1,326,596)</u>	<u>1,326,596</u>	<u>-</u>
Change in net assets	<u>4,207,649</u>	<u>1,364,733</u>	<u>5,572,382</u>	<u>4,480,466</u>	<u>1,880,822</u>	<u>6,361,288</u>
Net assets, beginning, as previously reported	20,372,602	7,277,080	27,649,682	15,892,136	5,396,258	21,288,394
Prior period adjustment (Note 4)	<u>648,573</u>	<u>332,187</u>	<u>980,760</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - beginning, as restated	<u>21,021,175</u>	<u>7,609,267</u>	<u>28,630,442</u>	<u>15,892,136</u>	<u>5,396,258</u>	<u>21,288,394</u>
Net assets, ending	<u>\$ 25,228,824</u>	<u>\$ 8,974,000</u>	<u>\$ 34,202,824</u>	<u>\$ 20,372,602</u>	<u>\$ 7,277,080</u>	<u>\$ 27,649,682</u>

Financial Analysis of the Town's Funds

As noted earlier, the Town of Lauderdale-By-The-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Lauderdale-By-The-Sea's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Lauderdale-By-The-Sea's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Lauderdale-By-The-Sea's *governmental funds* reported combined ending fund balances of \$20,774,112, an increase of \$857,091 from the prior year. The general fund is the primary operating fund of the Town. At the end of the current fiscal year, the fund balance of the general fund was \$14,022,066, an increase of \$1,185,349. The key factor in this growth was management's conservative spending policy and approach in financial planning due to economic constraints. The Capital

Projects fund is used to account for various projects throughout the Town. At the end of the current fiscal year, the fund balance of the Capital Projects fund was \$6,374,188, a decrease of \$363,018. This is due to the various projects throughout the Town and debt payments made.

Proprietary funds. The Town of Lauderdale-By-The-Sea's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund was \$2,340,654, the Parking Fund was \$315,708 and the Stormwater Fund was \$161,291. This amounted to a total of \$2,817,653.

General Fund Budgetary Highlights

The differences in the actual revenues and expenses as compared to the budget are summarized as follows:

- Ad valorem taxes are by law provided in the budget at a 95% rate of actual anticipated revenue to provide an allowance for uncollected taxes, however, the Town's collection were realized at 101.90%.
- Interest revenue was slightly higher due to a better rate of return on investments.
- Utility taxes and franchise fees collected were realized at 116.60%.
- Licenses, Permits and Fees doubled as the result of an increase in building related permits due to new construction and an increase in occupational licenses due to new businesses.
- Intergovernmental revenues were higher due to additional grant awards and proceeds from the State for Hurricane Wilma realized at 106.7%.
- Due to management's conservative spending policy general fund actual expenditures as compared to the budget were realized at 95.5 percent. No department exceeded their annual adopted budget.

Please refer to the Budgetary Comparison Schedule for more detailed information located on page 39.

Capital Assets

The Town of Lauderdale-By-The-Sea's investment in capital assets for its governmental and business type activities as of September 30, 2007, amounts to \$23,470,430 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, and improvements other than buildings, machinery and equipment.

Major capital asset events during the current fiscal year included:

- Completed Sewer and Drainage Projects in the northern part of town - Terra Mar and Sunset Lane.
- Completed construction of surface parking lot between AIA and Bougainvilla.

Additional information on the Town of Lauderdale-By-The-Sea's capital assets can be found in Note 4 on pages 29 through 31 of this report.

Economic Factors and Next Year's Budgets

Economic factors that will impact the Town's General Fund in upcoming budget considerations, include: the slight decrease in interest rates. In addition, the State of Florida is trying to deal with the disparities and the inequities in the state's property tax system (Property Tax Reform). The national economy still in flux and the war with Iraq could have an impact in the Town's future development.

Additionally, staff has been working to complete the following:

- Review and update the Towns Evaluation Appraisal Report.

- Review Code Enforcement and Building Department policies to revise and adopt new ordinances to address new redevelopment projects.
- Review current debt structure in anticipation of acquiring funds for additional funding of capital improvement project.
- Continue to review and prioritize Towns Comprehensive Master Plan totaling capital projects of over 75 million dollars.
- Review and negotiate new contract for townwide fire protection and emergency medical services.

Review and maintain appropriate staffing levels to ensure a high level of community standards and have adequate funding for ongoing operating expenses related to completed capital improvements projects in the respective budget year and in the appropriate service department.

All the above factors were considered in preparing the Town's budget for fiscal year 2008.

Requests for Information

This financial report is designed to provide a general overview of the Town of Lauderdale-By-The-Sea's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Lauderdale-By-The-Sea, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida 33308.

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BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Governmental Activities	Business- type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 21,110,604	\$3,655,214	\$24,765,818
Receivables	282,949	144,985	427,934
Internal balances	11,033	(11,033)	-
Prepaid expenses	60,487	-	60,487
Net pension asset	157,699	-	157,699
Capital assets, not depreciated	2,955,767	5,471,606	8,427,373
Capital assets, net of accumulated depreciation	<u>12,564,577</u>	<u>2,478,480</u>	<u>15,043,057</u>
Total assets	<u>37,143,116</u>	<u>11,739,252</u>	<u>48,882,368</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	531,270	73,608	604,878
Unearned revenue	146,218	-	146,218
Deposits held in trust	13,473	-	13,473
Noncurrent liabilities:			
Due within one year	1,695,816	161,316	1,857,132
Due in more than one year	<u>9,527,515</u>	<u>2,530,328</u>	<u>12,057,843</u>
Total liabilities	<u>11,914,292</u>	<u>2,765,252</u>	<u>14,679,544</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	11,755,888	6,156,347	17,912,235
Unrestricted	<u>13,472,936</u>	<u>2,817,653</u>	<u>16,290,589</u>
Total net assets	<u>\$ 25,228,824</u>	<u>\$ 8,974,000</u>	<u>\$ 34,202,824</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 1,828,236	\$ 897,874	\$ 42,404	\$ -	\$ (887,958)	\$ -
Public safety	6,193,360	2,047,931	-	-	(4,145,429)	-
Roads and streets	1,429,615	391,815	72,808	-	(964,992)	-
Recreation	485,662	5,617	-	33,688	(446,357)	-
Physical environment	205,736	122,706	5,975	-	(77,055)	-
Interest on long-term debt	491,596	-	-	-	(491,596)	-
Total governmental activities	10,634,205	3,465,943	121,187	33,688	(7,013,387)	-
Business-type activities:						
Water and sewer	1,011,135	1,009,039	-	-	-	(2,096)
Parking	173,524	641,742	-	-	-	468,218
Stormwater	190,236	218,614	-	-	-	28,378
Total business-type activities	1,374,895	1,869,395	-	-	-	494,500
Total	\$12,009,100	\$ 5,335,338	\$ 121,187	\$ 33,688	(7,013,387)	(6,518,887)
General revenues:						
Property taxes					9,028,855	-
Utility taxes based on gross receipts					843,958	-
Franchise fees based on gross receipts					777,059	-
Miscellaneous					172,465	-
Communication service tax					353,019	-
Unrestricted interest					790,138	125,775
Transfers					(744,458)	744,458
Total general revenues and transfers					11,221,036	870,233
Change in net assets					4,207,649	1,364,733
Net assets - beginning, as previously reported					20,372,602	7,277,080
Prior period adjustment (Note 4)					648,573	332,187
Net assets - beginning, as restated					21,021,175	7,609,267
Net assets - ending					\$ 25,228,824	\$8,974,000

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Police Training and Forfeiture (A Nonmajor Fund)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 13,908,859	\$ 6,823,887	\$ 377,858	\$ 21,110,604
Receivables	282,949	-	-	282,949
Due from other funds	11,033	-	-	11,033
Prepaid items	60,487	-	-	60,487
Total assets	<u>\$ 14,263,328</u>	<u>\$ 6,823,887</u>	<u>\$ 377,858</u>	<u>\$ 21,465,073</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 81,571	\$ 449,699	\$ -	\$ 531,270
Deferred revenue	146,218	-	-	146,218
Deposits	13,473	-	-	13,473
Total liabilities	<u>241,262</u>	<u>449,699</u>	<u>-</u>	<u>690,961</u>
Fund balances:				
Reserved for prepaid items	60,487	-	-	60,487
Unreserved, reported in:				
General fund:				
Designated:				
Emergencies	2,302,028	-	-	2,302,028
Vehicle and equipment reserve	421,320	-	-	421,320
Capital assets	1,059,928	-	-	1,059,928
Fire assessment	122,820	-	-	122,820
Subsequent years' expenditures	1,315,923	-	-	1,315,923
Undesignated	8,739,560	-	-	8,739,560
Capital projects fund:				
Designated:				
Capital assets	-	893,037	-	893,037
Subsequent years' expenditures	-	5,703,122	-	5,703,122
Undesignated	-	(221,971)	-	(221,971)
Special revenue funds:				
Unreserved	-	-	377,858	377,858
Total fund balances	<u>14,022,066</u>	<u>6,374,188</u>	<u>377,858</u>	<u>20,774,112</u>
Total liabilities and fund balances	<u>\$ 14,263,328</u>	<u>\$ 6,823,887</u>	<u>\$ 377,858</u>	

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,520,344
A negative (NPO) net pension obligation is not considered to represent a financial asset and therefore is not reported in the governmental fund.	157,699
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(11,223,331)
Net assets of governmental activities	<u>\$ 25,228,824</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	General	Capital Projects	Police Training and Forfeiture (A Nonmajor Fund)	Total Governmental Funds
Revenues:				
Property taxes and fire assessments	\$11,070,231	\$ -	\$ -	\$ 11,070,231
Franchise fees and utility taxes	1,621,017	-	-	1,621,017
Intergovernmental	1,105,240	-	-	1,105,240
Fines and forfeitures	256,153	-	5,593	261,746
Charges for services	209,990	-	-	209,990
Interest and other	580,505	190,622	19,011	790,138
Licenses and permits	200,610	-	-	200,610
Grants	154,875	-	-	154,875
Miscellaneous revenues	172,465	-	-	172,465
Total revenues	<u>15,371,086</u>	<u>190,622</u>	<u>24,604</u>	<u>15,586,312</u>
Expenditures:				
Current:				
General government	1,931,495	-	-	1,931,495
Public safety	6,172,881	-	1,500	6,174,381
Roads and streets	1,226,939	-	-	1,226,939
Recreation	400,533	-	-	400,533
Physical environment	174,499	-	-	174,499
Capital outlay	119,554	1,347,636	7,612	1,474,802
Debt service:				
Principal	715,686	1,414,100	-	2,129,786
Interest	153,690	337,906	-	491,596
Total expenditures	<u>10,895,277</u>	<u>3,099,642</u>	<u>9,112</u>	<u>14,004,031</u>
Excess (deficiency) of revenues over expenditures	<u>4,475,809</u>	<u>(2,909,020)</u>	<u>15,492</u>	<u>1,582,281</u>
Other financing sources (uses):				
Transfers in	165,645	2,546,002	-	2,711,647
Transfers out	<u>(3,456,105)</u>	<u>-</u>	<u>-</u>	<u>(3,456,105)</u>
Total other financing sources (uses)	<u>(3,290,460)</u>	<u>2,546,002</u>	<u>-</u>	<u>(744,458)</u>
Net change in fund balances	1,185,349	(363,018)	15,492	837,823
Fund balances - beginning	<u>12,836,717</u>	<u>6,737,206</u>	<u>362,366</u>	<u>19,936,289</u>
Fund balances - ending	<u>\$14,022,066</u>	<u>\$6,374,188</u>	<u>\$ 377,858</u>	<u>\$ 20,774,112</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Amounts reported for governmental activities in the statement of activities
(Page 13) are different because:

Net change in fund balances - total governmental funds (Page 13) \$ 837,823

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 1,467,340	
Depreciation	<u>(406,182)</u>	
Net adjustment		1,061,158

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Principal payments:		
Notes payable	1,869,462	
Notes payable	<u>260,324</u>	
	<u>2,129,786</u>	
Net adjustment		2,129,786

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The detail of the difference is as follows:

Compensated absences	77,346
Other items	10,246

Governmental funds report pension contributions as expenditures. However, contributions in excess of annual pension cost is reported as a net pension asset in the statement of net assets

91,290

Change in net assets of governmental activities (Page 11)

\$ 4,207,649

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2007

Enterprise Funds

	<u>Water and Sewer Utility System</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 2,293,512	\$ 293,839	\$1,067,863	\$3,655,214
Accounts receivable	117,465	27,416	104	144,985
Total current assets	<u>2,410,977</u>	<u>321,255</u>	<u>1,067,967</u>	<u>3,800,199</u>
Noncurrent assets:				
Capital assets:				
Land	-	5,471,606	-	5,471,606
Buildings and utility plant	3,684,913	249,085	3,282,083	7,216,081
Accumulated depreciation	(1,833,829)	(125,915)	(2,777,857)	(4,737,601)
Total noncurrent assets	<u>1,851,084</u>	<u>5,594,776</u>	<u>504,226</u>	<u>7,950,086</u>
Total assets	<u>4,262,061</u>	<u>5,916,031</u>	<u>1,572,193</u>	<u>11,750,285</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	66,207	1,653	5,748	73,608
Current portion of revenue notes payable	-	107,851	53,465	161,316
Due to other funds	4,116	3,894	3,023	11,033
Total current liabilities	<u>70,323</u>	<u>113,398</u>	<u>62,236</u>	<u>245,957</u>
Noncurrent liabilities:				
Revenue notes payable	-	1,685,888	844,440	2,530,328
Total noncurrent liabilities	<u>-</u>	<u>1,685,888</u>	<u>844,440</u>	<u>2,530,328</u>
Net assets:				
Invested in capital assets, net of related debt	1,851,084	3,801,037	504,226	6,156,347
Unrestricted	2,340,654	315,708	161,291	2,817,653
Total net assets	<u>\$ 4,191,738</u>	<u>\$ 4,116,745</u>	<u>\$ 665,517</u>	<u>\$8,974,000</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Enterprise Funds</u>			
	Water and Sewer Utility System	Parking Revenue Improvement	Stormwater Utility	Totals
Operating revenues:				
Service revenues	\$ 1,009,039	\$ 641,742	\$ 218,614	\$ 1,869,395
Total operating revenues	<u>1,009,039</u>	<u>641,742</u>	<u>218,614</u>	<u>1,869,395</u>
Operating expenses:				
Operating, administrative and maintenance	946,022	91,893	106,317	1,144,232
Depreciation	<u>65,113</u>	<u>8,666</u>	<u>46,022</u>	<u>119,801</u>
Total operating expenses	<u>1,011,135</u>	<u>100,559</u>	<u>152,339</u>	<u>1,264,033</u>
Operating income (loss)	<u>(2,096)</u>	<u>541,183</u>	<u>66,275</u>	<u>605,362</u>
Non-operating revenue (expense):				
Interest income	71,619	15,590	38,566	125,775
Interest expense	<u>-</u>	<u>(72,965)</u>	<u>(37,897)</u>	<u>(110,862)</u>
Total non operating revenues (expenses)	<u>71,619</u>	<u>(57,375)</u>	<u>669</u>	<u>14,913</u>
Income before transfers	69,523	483,808	66,944	620,275
Transfers in	815,454	-	94,649	910,103
Transfers out	<u>-</u>	<u>(165,645)</u>	<u>-</u>	<u>(165,645)</u>
Change in net assets	<u>884,977</u>	<u>318,163</u>	<u>161,593</u>	<u>1,364,733</u>
Net assets, beginning, as previously reported	2,974,574	3,798,582	503,924	7,277,080
Prior period adjustment (Note 4)	<u>332,187</u>	<u>-</u>	<u>-</u>	<u>332,187</u>
Net assets, beginning, as restated	<u>3,306,761</u>	<u>3,798,582</u>	<u>503,924</u>	<u>7,609,267</u>
Net assets, ending	<u>\$ 4,191,738</u>	<u>\$ 4,116,745</u>	<u>\$ 665,517</u>	<u>\$ 8,974,000</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Enterprise Funds

	<u>Water and Sewer Utility System</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers	\$ 999,011	\$ 619,119	\$ 229,062	\$ 1,847,192
Cash payments to suppliers	(897,892)	(44,871)	(98,316)	(1,041,079)
Cash payments to employees	(42,707)	(42,964)	-	(85,671)
Net cash provided by operating activities	<u>58,412</u>	<u>531,284</u>	<u>130,746</u>	<u>720,442</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	815,454	-	94,649	910,103
Transfers to other funds	-	(165,645)	-	(165,645)
Net cash provided by (used in) financing activities	<u>815,454</u>	<u>(165,645)</u>	<u>94,649</u>	<u>744,458</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	(372,258)	-	(372,258)
Payment on notes payable	-	(104,174)	(51,579)	(155,753)
Interest paid	-	(72,965)	(37,897)	(110,862)
Net cash used in capital and related financing activities	<u>-</u>	<u>(549,397)</u>	<u>(89,476)</u>	<u>(638,873)</u>
Cash flows from investing activities:				
Interest on investments	<u>71,619</u>	<u>15,590</u>	<u>38,566</u>	<u>125,775</u>
Net increase (decrease) in cash and investments	945,485	(168,168)	174,485	951,802
Cash and investments, beginning	<u>1,348,027</u>	<u>462,007</u>	<u>893,378</u>	<u>2,703,412</u>
Cash and investments, ending	<u>\$ 2,293,512</u>	<u>\$ 293,839</u>	<u>\$ 1,067,863</u>	<u>\$ 3,655,214</u>

(Continued)

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Enterprise Funds</u>			
	<u>Water and Sewer Utility System</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (2,096)	\$ 541,183	\$ 66,275	\$ 605,362
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	65,113	8,666	46,022	119,801
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(12,743)	(27,416)	10,448	(29,711)
Prepaid expenses	1,000	-	-	1,000
Due from other funds	1,715	4,793	-	6,508
Increase in:				-
Vouchers payable and accrued liabilities	1,767	164	4,978	6,909
Due to other funds	3,656	3,894	3,023	10,573
Total adjustments	60,508	(9,899)	64,471	115,080
Net cash provided by operating activities	\$ 58,412	\$ 531,284	\$ 130,746	\$ 720,442

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

SEPTEMBER 30, 2007

	Pension Trust <u>Fund</u>
<u>ASSETS</u>	
Cash held with trustee	\$ 14,028
Investments	<u>706,466</u>
Total assets	720,494
<u>LIABILITIES</u>	
Accounts payable	<u>2,204</u>
<u>NET ASSETS</u>	
Net assets held in trust for pension benefits	<u>\$ 718,290</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Pension Trust <u>Fund</u>
ADDITIONS	
Contributions:	
Volunteer Fire Department	\$ 1,305
State, transferred from general fund	111,377
Town	<u>512</u>
Total contributions	<u>113,194</u>
Investment income :	
Net appreciation in fair value of investments	104,009
Interest	<u>68</u>
Net investment income	<u>104,077</u>
Total additions	<u>217,271</u>
DEDUCTIONS	
Pension benefits	17,656
Refunds	14,507
Administrative expenses	<u>952</u>
Total deductions	<u>33,115</u>
Net increase	184,156
Net assets held in trust for pension benefits:	
Beginning	<u>534,134</u>
Ending	<u>\$ 718,290</u>

See notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lauderdale-By-The-Sea, Florida (the Town) was incorporated in 1947. The Town operates under a Commission-Manager form of government and provides a full range of municipal services, including public safety (police and fire), parks and recreation, public works, building, zoning and code enforcement and general administrative services. The Town also operates three enterprise activities: water and sewer, parking improvement and stormwater.

The basic financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

1. Reporting Entity

The financial statements were prepared in accordance with governmental accounting standards, which establish standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Based upon the application of these criteria, there were no organizations that met the criteria described above.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the process of consolidation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-Wide and Fund Financial Statements (Continued)

given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, franchise fees and other taxes, intergovernmental revenues, and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are included. Other receipts and fees become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all or most of the Town's general activities except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The Town reports the following nonmajor governmental fund:

The *Police Training and Forfeiture Fund* is used to account for the portion of traffic citation revenue dedicated to police training, the confiscation of property and the related authorized law enforcement expenditures.

The Town reports the following major proprietary funds:

The *Water and Sewer Utility Fund* accounts for the activities associated with providing water and sewer services within the Town.

The *Parking Revenue Improvement Fund* accounts for parking meter revenue in the Town's business district.

The *Stormwater Utility Fund* accounts for the activities associated with providing stormwater services within the Town.

Additionally, the Town reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the Volunteer Fire Department's Pension Plan and the accumulation of resources for pension benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's various utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

4. Capital Assets

Capital assets, which include property, plant and equipment, and all infrastructure assets acquired prior to implementation of GASB No. 34 (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred in both the Parking Revenue Improvement Fund and the Stormwater Fund was \$110,862. Of this amount, \$-0- was included as part of the cost of the Parking Revenue Improvement Fund capital assets and \$-0- was included as part of the cost of the Stormwater Fund capital assets.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Utility plant	25-75
Infrastructure	50
Improvements other than buildings	25
Furniture, fixtures, machinery and equipment	5-10
Motor vehicles	5-7

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance to indicate that a portion of fund balance is not available for appropriation or is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended.

Designated fund balance indicates that a portion of fund equity has been segregated based on tentative plans of the Town. Such plans or intent are subject to change.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fund Equity (Continued)

Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

6. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations, and useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from these estimates.

7. Deposits and Investments

Town administration is authorized to invest in those instruments authorized by the Florida statutes.

Investments are reported at fair value. In accordance with the Town's investment policy, investments consist of funds maintained with the State Board of Administration Investment Pool, and are reported at the fair value of its position in the Pool which is the same as its value of the Pool shares. Income from investments is recorded as earned.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

8. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service and sick leave at the rate of one day per month. Up to 30 days of vacation time and 60 days of sick leave may be accrued and carried forward into the next year. In the event of termination, an employee is reimbursed for accumulated vacation days. Employees are reimbursed for 25 percent of accumulated sick leave upon leaving Town employment in good standing.

The cost of accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements or resignations. The general fund has been used to liquidate these amounts.

9. Long-Term Obligations

In the government-wide financial statements, and in the proprietary fund types of the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Property Taxes

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the year ended September 30, 2007 was 4.35 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the local tax levy, which includes Broward County, Broward County School Board and special taxing districts.

All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All real and tangible personal property taxes are due and payable on November 1 each year. Broward County mails to each property owner on the assessment roll a notice of the taxes due and Broward County also collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Broward County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2007.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are insured or collateralized with securities held by the entity or by its agent in the entity's name.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments

The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

Interest Rate Risk

As of September 30, 2007, the Town had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Repurchase agreement:		
Fannie Mae Mortgage, Government Agency	5/1/2036	<u>\$1,870,180</u>

The Town participates in the State Board of Administration (SBA) investment pool.

Interest Rate Risk Policy

The Town has an investment policy that limits the maturities on repurchase agreements to no more than 90 days. The investments at September 30, 2007 meet our investment policy restrictions.

Credit Risk

The Town has an investment policy that structures its investment portfolio in such a manner as to provide sufficient liquidity to pay obligations as they come due with an emphasis on safety of capital. Investments are limited to the highest ratings by two of nationally recognized statistical rating organizations (NRSRO) (Standard and Poor's and Moody's investment services). Investments in U.S. Government Agencies are rated AAA. Excess funds are also sent daily to the SBA for their investment. The SBA does not have a rating from a NRSRO. This is the only external investment pool that the Town can invest in.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Subsequent Event

As discussed in Note 2, at September 30, 2007, the Town of Lauderdale-By-The-Sea has \$7,046,903 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to unprecedented amount of withdrawals from the fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

The Town withdrew \$3,980,304 on December 6, 2007.

As of December 31, 2007, the Town of Lauderdale-By-The-Sea has \$2,093,410 (unaudited) and \$1,018,490 (unaudited) invested in Pool A and B, respectively. 40.6 percent of Fund B is below purchase guidelines. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Concentration of Credit Risk

GASB Statement 40 requires disclosure when the percentage is 5% or more in any one issuer. The investment in the Fannie Mae Mortgage is 28%. Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the Town.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. RECEIVABLES

Receivables as of September 30, 2007 for the Town's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Parking</u>	<u>Storm Water</u>	<u>Total</u>
Receivables:					
Billed	\$ -	\$ 117,465	\$ 27,416	\$ 104	\$ 144,985
Utility Tax	18,604	-	-	-	18,604
Intergovernmental	263,613	-	-	-	263,613
Other	<u>732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>732</u>
Gross receivables	282,949	117,465	27,416	104	427,934
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 282,949</u>	<u>\$ 117,465</u>	<u>\$ 27,416</u>	<u>\$ 104</u>	<u>\$ 427,934</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *unearned revenue* reported in the governmental funds was as follows:

Occupational licenses	\$ 32,406
Planning advances	4,491
Advertisement advances	1,196
Right of way advances	<u>108,125</u>
	<u>\$ 146,218</u>

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance Restated (1)</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,592,732	\$ -	\$ -	\$ 1,592,732
Construction in process	<u>84,399</u>	<u>1,278,636</u>	<u>-</u>	<u>1,363,035</u>
Total capital assets not being depreciated	<u>1,677,131</u>	<u>1,278,636</u>	<u>-</u>	<u>2,955,767</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

	Beginning Balance <u>Restated (1)</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance
Capital assets being depreciated:				
Buildings	2,296,474	1,300	-	2,297,774
Improvements other than buildings	9,283,256	78,045	-	9,361,301
Furniture, fixtures, machinery and equipment	563,214	54,948	-	618,162
Motor vehicles	437,512	54,411	(72,030)	419,893
Infrastructure	5,980,221	-	-	5,980,221
Total capital assets being depreciated	<u>18,560,677</u>	<u>188,704</u>	<u>(72,030)</u>	<u>18,677,351</u>
Less accumulated depreciation for:				
Buildings	720,827	38,096	-	758,923
Improvements other than buildings	618,198	155,703	-	773,901
Furniture, fixtures, machinery and equipment	297,628	46,810	-	344,438
Motor vehicles	381,055	51,670	(72,030)	360,695
Infrastructure	3,760,914	113,903	-	3,874,817
Total accumulated depreciation	<u>5,778,622</u>	<u>406,182</u>	<u>(72,030)</u>	<u>6,112,774</u>
Total capital assets being depreciated, net	<u>12,782,055</u>	<u>(217,478)</u>	<u>-</u>	<u>12,564,577</u>
Governmental activities capital assets, net	<u>\$ 14,459,186</u>	<u>\$ 1,061,158</u>	<u>\$ -</u>	<u>\$ 15,520,344</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 5,020,693	\$ 450,913	\$ -	\$ 5,471,606
Construction in progress	78,657	-	(78,657)	-
Total capital assets not being depreciated	<u>5,099,350</u>	<u>450,913</u>	<u>(78,657)</u>	<u>5,471,606</u>
Capital assets being depreciated:				
Buildings and utility plant	<u>7,216,081</u>	<u>-</u>	<u>-</u>	<u>7,216,081</u>
Total capital assets being depreciated	<u>7,216,081</u>	<u>-</u>	<u>-</u>	<u>7,216,081</u>
Less accumulated depreciation for:				
Buildings and utility plant	<u>4,617,800</u>	<u>119,801</u>	<u>-</u>	<u>4,737,601</u>
Total capital assets being depreciated, net	<u>2,598,281</u>	<u>(119,801)</u>	<u>-</u>	<u>2,478,480</u>
Business-type activities capital assets, net	<u>\$ 7,697,631</u>	<u>\$ 331,112</u>	<u>\$ (78,657)</u>	<u>\$ 7,950,086</u>

(1) Includes two prior period adjustments in the governmental activities and business-type activities for \$648,573 and \$332,187, respectively for capital assets not included in previous years.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:

General government	\$ 75,623
Public safety	11,516
Recreation	85,129
Roads and streets	202,677
Physical environment	<u>31,237</u>
Total depreciation expenses - governmental activities	<u>\$406,182</u>

Business-type activities:

Water and Sewer utility	\$ 65,113
Parking revenue improvement	8,666
Stormwater utility	<u>46,022</u>
Total depreciation expenses - business-type activities	<u>\$119,801</u>

NOTE 5. INTERFUND TRANSFERS

Interfund activity for the Town is summarized as follows for the fiscal year ended September 30, 2007:

Due to/from other funds

<u>Due To</u>	<u>Due From</u>			<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Parking Fund</u>	
General fund	<u>\$ 4,116</u>	<u>\$ 3,023</u>	<u>\$ 3,894</u>	<u>\$11,033</u>

The purpose of the interfund balances is to provide operational funds.

Interfund transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Transfer Purpose</u>
General fund	Capital fund	\$2,546,002	Fund Capital Improvement Projects
Parking revenue fund	General fund	165,645	Interfund Transfer
General fund	Water and sewer fund	815,454	Capital Assets Depreciation Reserve
General fund	Stormwater fund	<u>94,649</u>	Fund Operations
		<u>\$3,621,750</u>	

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT

Changes in long-term liabilities for the fiscal year ended September 30, 2007 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Promissory note	\$ 5,501,935	\$ -	\$ (1,011,561)	\$ 4,490,374	\$ 1,052,567
Promissory note	752,650	-	(142,215)	610,435	146,102
Promissory note	509,375	-	(509,375)	-	-
Promissory note	2,658,606	-	(260,324)	2,398,282	270,025
Promissory note	3,797,934	-	(206,311)	3,591,623	213,860
Compensated absences	209,963	193,575	(270,921)	132,617	13,262
	<u>\$ 13,430,463</u>	<u>\$ 193,575</u>	<u>\$ (2,400,707)</u>	<u>\$ 11,223,331</u>	<u>\$ 1,695,816</u>
Business activities:					
Promissory note	\$ 949,484	\$ -	\$ (51,579)	\$ 897,905	\$ 53,465
Promissory note	1,897,913	-	(104,174)	1,793,739	107,851
	<u>\$ 2,847,397</u>	<u>\$ -</u>	<u>\$ (155,753)</u>	<u>\$ 2,691,644</u>	<u>\$ 161,316</u>

Governmental Activities

Promissory Notes and Lines of Credit

In September 2001, the Town borrowed \$10,000,000 at a 4.629% interest rate from SunTrust Bank. This debt was restructured in order to obtain lower interest rates and to obtain additional funding for future capital expenditures authorized by the Town Commission in March 2003. The Town refinanced the balance of \$8,775,833 at a 4.299% interest rate compounded quarterly from SunTrust Bank. In addition, in May 2003, the Town borrowed an additional \$1,224,167 at 2.933% interest rate compounded quarterly from SunTrust Bank. These notes mature in September 2011.

In May 2003, the Town established a \$3,000,000 line of credit of which \$50,000 was drawn down from SunTrust Bank at 2.871% interest rate compounded quarterly. The line of credit was established to facilitate the acquisition of property within the Town.

In May 2003, the Town borrowed \$1,400,000 at a 2.436% interest rate from SunTrust Bank. The line of credit was established to facilitate acquisition of an off-site building. This note matures in May 2008. This note was paid in November 2006.

In April 2005, the remaining \$2,950,000 was drawn down from at a 3.943% interest rate compounded quarterly. The note matures in May, 2015.

In October 2005, the Town borrowed \$4,000,000 note at a 4.1% interest rate compounded monthly from SunTrust Bank. The Town borrowed the funds to facilitate various capital improvement projects throughout the Town. The note matures June 2020.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Promissory Notes and Lines of Credit (Continued)

Debt service requirements to maturity on the governmental debt are as follows:

\$8,775,833 Note			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	\$ 1,052,567	\$ 176,392	\$ 1,228,959
2009	1,098,551	130,408	1,228,959
2010	1,146,545	82,414	1,228,959
2011	<u>1,192,711</u>	<u>32,324</u>	<u>1,225,035</u>
Total	<u>\$4,490,374</u>	<u>\$ 421,538</u>	<u>\$4,911,912</u>
\$1,224,167 Note			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	\$ 146,102	\$ 16,321	\$ 162,423
2009	150,435	11,989	162,424
2010	154,896	7,528	162,424
2011	<u>159,002</u>	<u>2,934</u>	<u>161,936</u>
Total	<u>\$ 610,435</u>	<u>\$ 38,772</u>	<u>\$ 649,207</u>
\$2,950,000 Line of Credit			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	\$ 270,025	\$ 90,595	\$ 360,620
2009	280,830	79,790	360,620
2010	292,068	68,552	360,620
2011	303,756	56,864	360,620
2012	315,911	44,709	360,620
2013-2015	<u>935,692</u>	<u>56,233</u>	<u>991,924</u>
Total	<u>\$2,398,282</u>	<u>\$ 396,743</u>	<u>\$2,795,025</u>
\$4,000,000 Note			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	\$ 213,860	\$ 144,037	\$ 357,897
2009	222,764	135,133	357,897
2010	232,038	125,859	357,897
2011	241,699	116,198	357,897
2012	251,762	106,135	357,897
2013-2017	1,425,048	364,438	1,789,486
2018-2020	<u>1,004,452</u>	<u>68,240</u>	<u>1,072,692</u>
Total	<u>\$3,591,623</u>	<u>\$1,060,040</u>	<u>\$4,651,663</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities

Promissory Notes

In October 2005, the Town borrowed \$1,000,000 at a 4.1% interest rate compounded monthly from SunTrust Bank. The funds are to be used for various stormwater projects. The note is secured by the pledge of and lien on stormwater fees and Non-Ad Valorem revenues if a shortfall occurs. This note matures in June 2020. In October 2007, the balance of \$897,906 was paid off.

In October 2005, the Town borrowed \$2,000,000 at a 3.950% interest rate compounded monthly from SunTrust Bank. The funds were used to surface a parking lot. The note is secured by the pledge of and lien on parking fees and Non-Ad Valorem revenues if a shortfall occurs. This note matures in June 2020.

Debt service requirements to maturity on the enterprise notes are as follows:

	\$2,000,000 Note		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	\$ 107,851	\$ 69,287	\$ 177,138
2009	112,174	64,964	177,138
2010	116,671	60,467	177,138
2011	121,348	55,790	177,138
2012	126,213	50,925	177,138
2013-2017	711,142	174,546	885,688
2018-2020	498,340	32,595	530,935
Total	<u>\$1,793,739</u>	<u>\$ 508,574</u>	<u>\$2,302,313</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES

Interlocal Agreement

The Town entered into an interlocal agreement with Broward County and the Broward Sheriff's Office on June 22, 2004 with an effective date of October 1, 2004 for emergency medical services within the municipal services benefit unit as well as fire protection services in the Town. The agreement is for a five (5) year period and can be renewed for an additional four periods of five (5) years each, for a total of twenty-five (25) years, without further action of the parties, unless terminated by either party as provided in the agreement.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES (Continued)

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Litigation, Claims and Assessments

The Town was the recipient of five (5) claims letters in the form of notices of Bert J. Harris, Jr. Private Property Rights Protection Act claims. The Town is vigorously defending these claims.

The claims all generally assert that the Town deprived the private property owners of the reasonable expected investment back right to use their property due to land development regulations adopted by the Town. The Town has responded to these claims as required by Florida Statutes and no litigation is currently pending as a result of the claim. The possible exposure if the claim is asserted cannot be determined at this time except by reference to the claim amount asserted by the property owners which total to approximately \$26 million.

Grants

Grant monies received and disbursed by the Town are for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. Based upon prior experience, the Town does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material effect on the financial position of the Town.

NOTE 8. FLORIDA RETIREMENT SYSTEM

Plan Description

The Town participates in the Florida Retirement System (FRS), a cost-sharing multiple employer Public Employee Retirement System (PERS). The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. Copies of the FRS's annual report for the year ended June 30, 2007 may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000. Payroll for Town employees covered by the System for the year ended September 30, 2007 was approximately \$1,600,000.

All full-time Town employees are eligible to participate in the System. Normal retirement is at 6 years of credited service and age 62 or at 30 years of credited service regardless of age for regular members.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. FLORIDA RETIREMENT SYSTEM (Continued)

Plan Description (Continued)

Benefits vest after six years of credited service. Early retirement may be taken any time after vesting; however, there is a five percent benefit reduction for each year prior to normal retirement age or date. The System also provides disability and survivor benefits. Benefits are established by State statute.

Funding Policy

Employees cannot contribute to the System. The Town is required to contribute a certain percentage of employee compensation per year.

The following are the required contributions and the percentage contributed by the Town for the current year and the preceding two years:

	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
Fiscal year ending September 30:			
2005	\$ 120,410	\$ 120,410	100%
2006	136,933	136,933	100%
2007	163,302	163,302	100%

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND

Basis of Accounting

The Volunteer Firefighters Pension Plan (the Plan) financial statements are prepared on the accrual basis of accounting. All contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Investments

Investments, which consist primarily of mutual funds, are carried at fair value. Interest is recognized when earned. Purchases and sales are recorded on a trade-date basis.

Within certain limitations as specified in the Plan, the investment policy is approved by the Commission as recommended by the Board of Trustees and is implemented by the Plan's investment advisor.

Plan Description

The Volunteer Firefighters Pension Plan is a single-employer Public Employee Retirement System (PERS) defined benefit pension plan. Volunteer firefighters do not receive salaries but

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Plan Description (Continued)

receive incentive pay based on calls to which they respond. Participants should refer to the Plan documents for more complete information. A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 255 Commercial Boulevard, Suite 200, Lauderdale-By-The-Sea, Florida.

As of October 1, 2006, the date of the latest actuarial valuation, firefighters' membership data related to the Plan as stated in the actuarial valuation was as follows:

Retirees and beneficiaries currently receiving benefits and former volunteers entitled to receive benefits but not yet receiving them	<u>9</u>
Current volunteers:	
Fully vested	-
Non-vested	<u>89</u>
	<u>98</u>

All volunteer firefighters of the Town are eligible for membership in the Plan; eligibility is determined by a point system whereby a firefighter must accumulate 30 points during a Plan year to be credited for one year of service. Points are accumulated by attendance at meetings, drills, fires and false alarms. Normal retirement is at age 55 and 10 years of credited service. The benefit is \$10 per month for each year of credited service payable in a life annuity, with other options available. Disability benefits are available for total and permanent disability payable at \$10 per month for each year of credited service. Death benefits are available under the same terms as normal retirement benefits.

Funding Policy

Firefighters are not required to contribute to the Plan but may voluntarily do so. Contributions from the State of Florida are based on the amount of fire insurance premiums written by private insurers on property within Town limits. The Town is required to contribute if there is any shortfall between the State's contributions and funding requirements of the Plan.

Funding is based on actuarial determined required contributions using the frozen entry age actuarial cost method under which the excess of actuarial present value of projected benefits of the group over the actuarial value of assets is allocated over the service of the group, not as a sum of individual allocations. Annual required contribution as determined by the actuarial valuation was \$19,208; based on estimated State contributions of \$16,735, contributions by the Town of \$2,473 would be required. The State contributions are received by the Town and remitted to the Volunteer Fire Department treasurer for deposit to the pension bank account.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Annual Pension Cost and Net Pension Asset

The annual pension cost and net pension asset as of the latest actuarial valuation is as follows:

Annual required contribution	\$ 19,208
Interest on net pension asset	(4,649)
Adjustment to annual required contribution	<u>(6,040)</u>
Annual pension cost	20,599
Contributions made	<u>(111,889)</u>
Increase in net pension asset	(91,290)
Net pension asset, beginning of year	<u>(66,409)</u>
Net pension asset, end of year	<u><u>\$ (157,699)</u></u>

The annual required contribution for 2007 was determined as part of the most recent actuarial report dated October 1, 2006, using the frozen entry age actuarial cost method. The actuarial assumptions included a 7% investment rate of return net of administrative expenses and an inflation component of 4%.

Trend Information			
Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Asset</u>
9/30/2005	\$ 22,928	132.6%	\$ 64,288
9/30/2006	38,234	105.5%	66,409
9/30/2007	19,208	582.5%	157,699

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from coverages in the prior year. The Town provides employee medical benefits through commercial insurance coverage. Settlements during the previous three years did not exceed insurance coverage.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Property taxes and fire assessments	\$ 10,975,259	\$ 10,975,259	\$ 11,070,231	\$ 94,972
Franchise fees and utility taxes	1,405,725	1,405,725	1,621,017	215,292
Intergovernmental	1,057,370	1,057,370	1,105,240	47,870
Fines and forfeitures	303,290	303,290	256,153	(47,137)
Charges for services	242,790	242,790	209,990	(32,800)
Interest	399,643	399,643	580,505	180,862
Licenses and permits	111,400	111,400	200,610	89,210
Grants	123,600	123,600	154,875	31,275
Miscellaneous revenues	106,722	106,722	172,465	65,743
Total revenues	<u>14,725,799</u>	<u>14,725,799</u>	<u>15,371,086</u>	<u>645,287</u>
Expenditures:				
Current:				
General government	3,022,433	2,186,061	1,931,495	254,566
Public safety	6,349,361	6,319,964	6,172,881	147,083
Roads and streets	1,742,205	1,465,831	1,226,939	238,892
Recreation	375,920	415,066	400,533	14,533
Physical environment	152,959	173,904	174,499	(595)
Capital outlay	86,250	131,934	119,554	12,380
Debt service	656,148	877,062	869,376	7,686
Total expenditures	<u>12,385,276</u>	<u>11,569,822</u>	<u>10,895,277</u>	<u>674,545</u>
Other financing sources (uses):				
Transfers out	(2,640,651)	(3,456,105)	(3,456,105)	-
Transfers in	165,645	165,645	165,645	-
Total other financing sources (uses)	<u>(2,475,006)</u>	<u>(3,290,460)</u>	<u>(3,290,460)</u>	<u>-</u>
Net change in fund balances	<u>\$ (134,483)</u>	<u>\$ (134,483)</u>	<u>\$ 1,185,349</u>	<u>\$ 1,319,832</u>

See note to budgetary comparison schedule.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted for all governmental and proprietary funds on a basis consistent with accounting principles generally accepted in the United States except for debt service expenditures and compensated absences.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Town Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Commission, by motion, may make supplemental appropriations for the year. There were no supplemental appropriations for the year ended September 30, 2007.
- (e) Formal budgetary integration is employed as a management control device during the year for the general fund.
- (f) The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (g) Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget.
- (h) Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM THE TOWN AND OTHER CONTRIBUTING ENTITIES

<u>RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS</u>				
<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Contributions from Town</u>	<u>Contributions from State</u>	<u>Percentage Contributed</u>
2002	\$ 11,794	\$ 6,494	\$ 30,871	316.8%
2003	28,343	11,608	30,871	149.9%
2004	24,664	17,804	35,589	216.5%
2005	20,294	13,674	14,205	137.4%
2006	36,708	11,810	77,185	242.4%
2007	19,208	512	111,377	582.5%

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follow:

Valuation date	October 1, 2006
Actuarial cost method	Frozen entry age
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7% compounded annually
Projected salary increases	None
Cost of living adjustments	None

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2007

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)
10/1/1999	\$ 227,535	\$ 189,763	\$ (37,772)	119.9%
10/1/2002	179,222	231,741	52,519	77.3%
10/1/2003	230,470	257,129	26,659	89.6%
10/1/2004	298,795	282,593	(16,202)	105.7%
10/1/2005	341,169	298,072	(43,097)	114.5%
10/1/2006	434,524	309,304	(125,220)	140.5%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GOVERNMENTAL FUND TYPES

GENERAL FUND

The General Fund is the principal operating fund of the Town and is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GENERAL FUND COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2007
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and investments	\$ 13,908,859	\$ 12,598,519
Receivables	282,949	302,781
Due from other funds	11,033	460
Prepaid items	60,487	56,413
Total assets	<u>\$ 14,263,328</u>	<u>\$ 12,958,173</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 81,571	\$ 89,608
Due to other funds	-	6,508
Deferred revenue	146,218	39,857
Deposits	13,473	4,751
Total liabilities	<u>241,262</u>	<u>140,724</u>
Fund balance:		
Reserved for prepaid items	60,487	56,413
Unreserved:		
Designated for:		
Emergencies	2,302,028	2,180,749
Vehicle and equipment reserve	421,320	314,276
Capital assets	1,059,928	680,341
Subsequent years' expenditures	1,315,923	134,483
Fire assessment	122,820	-
Undesignated	8,739,560	9,451,187
Total fund balance	<u>14,022,066</u>	<u>12,817,449</u>
 Total liabilities and fund balance	 <u>\$ 14,263,328</u>	 <u>\$ 12,958,173</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SPECIAL REVENUE FUND POLICE TRAINING AND FORFEITURE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 5,593	\$ 5,593
Interest and other	<u>5,370</u>	<u>5,370</u>	<u>18,495</u>	<u>13,125</u>
Total revenues	<u>5,370</u>	<u>5,370</u>	<u>24,088</u>	<u>18,718</u>
Expenditures:				
Current:				
Public safety	1,500	1,500	1,500	-
Capital outlay	<u>16,600</u>	<u>16,600</u>	<u>7,612</u>	<u>8,988</u>
Total expenditures	<u>18,100</u>	<u>18,100</u>	<u>9,112</u>	<u>8,988</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (12,730)</u>	<u>\$ (12,730)</u>	<u>\$ 14,976</u>	<u>\$ 9,730</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL PROJECTS FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Interest and other	\$ 75,000	\$ 75,000	\$ 190,622	\$ 115,622
Expenditures:				
Capital outlay	6,293,663	6,322,070	1,347,636	4,974,434
Debt service:				
Principal	1,410,038	1,414,100	1,414,100	-
Interest	341,968	337,906	337,906	-
Total expenditures	8,045,669	8,074,076	3,099,642	4,974,434
Deficiency of revenues over expenditures	(7,970,669)	(7,999,076)	(2,909,020)	5,090,056
Other financing sources:				
Transfers in	2,546,002	2,546,002	2,546,002	-
Carryover	5,620,000	5,648,407	-	(5,648,407)
Net change in fund balances	\$ 195,333	\$ 195,333	\$ (363,018)	\$ (558,351)

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STATISTICAL SECTION

This part of the Town of Lauderdale-By-The-Sea's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. 46

Revenue Capacity

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Debt Capacity

These schedules represent information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future. 57

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place. 59

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial reports relates to the services the Town provides and the activities it performs. 61

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 1

NET ASSETS BY COMPONENT LAST FIVE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (AMOUNTS EXPRESSED IN THOUSANDS)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 8,288	\$ 6,585	\$ 5,736	\$ 380	\$ 11,756
Unrestricted	<u>3,652</u>	<u>7,145</u>	<u>10,156</u>	<u>19,993</u>	<u>13,473</u>
Total governmental activities net assets	<u>11,940</u>	<u>13,730</u>	<u>15,892</u>	<u>20,373</u>	<u>25,229</u>
Business-type activities:					
Invested in capital assets, net of related debt	2,328	2,734	3,782	4,518	6,156
Unrestricted	<u>1,366</u>	<u>1,749</u>	<u>1,615</u>	<u>2,759</u>	<u>2,818</u>
Total business-type activities net assets	<u>3,694</u>	<u>4,483</u>	<u>5,397</u>	<u>7,277</u>	<u>8,974</u>
Primary government:					
Invested in capital assets, net of related debt	10,616	9,319	9,518	4,898	17,912
Unrestricted	<u>5,018</u>	<u>8,894</u>	<u>11,771</u>	<u>22,752</u>	<u>16,291</u>
Total primary government net assets	<u>\$ 15,634</u>	<u>\$ 18,213</u>	<u>\$ 21,289</u>	<u>\$ 27,650</u>	<u>\$ 34,203</u>

The Town-of-Lauderdale-By-The-Sea implemented GASB 34 in fiscal year 2003. Prior to that date, this data was not maintained.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 2

CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (AMOUNTS EXPRESSED IN THOUSANDS)

Expenses:	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:					
General government	\$ 1,625	\$ 1,914	\$ 1,642	\$ 2,294	\$ 1,828
Public safety	3,506	6,082	5,831	5,835	6,193
Roads and streets	868	1,276	1,522	1,442	1,430
Recreation	277	367	435	436	486
Physical environment	107	138	148	175	206
Interest on long-term debt	430	406	404	570	491
Total governmental activities	<u>6,813</u>	<u>10,183</u>	<u>9,982</u>	<u>10,752</u>	<u>10,634</u>
Business-type activities:					
Water and sewer	1,012	817	888	928	1,011
Stormwater	66	126	61	80	190
Parking	147	83	92	77	174
Interest on long-term debt	-	-	-	114	-
Total business-type activities	<u>1,225</u>	<u>1,026</u>	<u>1,041</u>	<u>1,199</u>	<u>1,375</u>
Total primary government	<u>\$ 8,038</u>	<u>\$ 11,209</u>	<u>\$ 11,023</u>	<u>\$ 11,951</u>	<u>\$ 12,009</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 63	\$ 574	\$ 802	\$ 984	\$ 898
Public safety	138	271	8	4	2,048
Roads and streets	943	1,002	887	570	392
Recreation	4	6	6	6	5
Physical environment	7	50	53	78	123
Capital grants and contributions	28	61	74	919	121
Operating grants and contributions	530	265	140	1,397	34
Total governmental activities program revenues	<u>1,713</u>	<u>2,229</u>	<u>1,970</u>	<u>3,958</u>	<u>3,621</u>
Business type activities:					
Charges for services:					
Water and sewer	1,111	1,176	1,054	1,001	1,009
Stormwater	-	-	36	197	218
Parking	51	67	99	432	642
Total business-type activities program revenues	<u>1,162</u>	<u>1,243</u>	<u>1,189</u>	<u>1,630</u>	<u>1,869</u>
Total primary government program revenues	<u>\$ 2,875</u>	<u>\$ 3,472</u>	<u>\$ 3,159</u>	<u>\$ 5,588</u>	<u>\$ 5,490</u>

(Continued)

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 2
(Continued)

CHANGES IN NET ASSETS (Continued) LAST FIVE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (AMOUNTS EXPRESSED IN THOUSANDS)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (expense) revenue:					
Governmental activities	\$ (5,100)	\$ (7,954)	\$ (8,012)	\$ (6,794)	\$ (7,013)
Business-type activities	<u>(63)</u>	<u>217</u>	<u>148</u>	<u>431</u>	<u>494</u>
Total primary government net expense	<u>\$ (5,163)</u>	<u>\$ (7,737)</u>	<u>\$ (7,864)</u>	<u>\$ (6,363)</u>	<u>\$ (6,519)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 9,029
Ad valorem taxes and fire assessments	5,531	7,833	8,565	9,937	-
Utility taxes based on gross receipts	-	-	-	-	844
Franchise fees based on gross receipts	-	-	-	-	777
Franchise fees on gross receipts and utility taxes	1,299	1,325	1,368	1,437	-
Communications services tax	-	-	372	351	353
Intergovernmental	1,320	697	-	-	-
Unrestricted Interest earnings	691	171	593	637	790
Miscellaneous	210	223	4	240	172
Transfers	<u>(526)</u>	<u>(560)</u>	<u>(728)</u>	<u>(1,327)</u>	<u>(744)</u>
Total governmental activities	<u>8,525</u>	<u>9,689</u>	<u>10,174</u>	<u>11,275</u>	<u>11,221</u>
Business-type activities:					
Unrestricted Interest earnings	13	12	36	122	126
Transfers	<u>526</u>	<u>560</u>	<u>728</u>	<u>1,327</u>	<u>744</u>
Total business-type activities	<u>539</u>	<u>572</u>	<u>764</u>	<u>1,449</u>	<u>870</u>
Total primary government	<u>\$ 9,064</u>	<u>\$ 10,261</u>	<u>\$ 10,938</u>	<u>\$ 12,724</u>	<u>\$ 12,091</u>
Changes in net assets:					
Government activities	\$ 3,425	\$ 1,735	\$ 2,162	\$ 4,481	\$ 4,208
Business-type activities	<u>476</u>	<u>789</u>	<u>912</u>	<u>1,880</u>	<u>1,364</u>
Total primary government	<u>\$ 3,901</u>	<u>\$ 2,524</u>	<u>\$ 3,074</u>	<u>\$ 6,361</u>	<u>\$ 5,572</u>

The Town-of-Lauderdale-By-The-Sea implemented GASB 34 in fiscal year 2003. Prior to that date, this data was not maintained.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 3

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST FIVE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Fiscal Year</u>	<u>Ad Valorem Taxes</u>	<u>Franchise Fees on Services</u>	<u>Utility Tax</u>	<u>Communications Service Tax</u>	<u>Transportation Tax</u>	<u>Total</u>
2003	\$ 5,176	\$ 536	\$ 763	\$ 468	\$ 167	\$ 7,110
2004	5,757	565	760	376	120	7,578
2005	6,546	583	785	372	119	8,405
2006	7,855	655	782	350	119	9,761
2007	9,029	777	844	353	116	11,119

The Town-of-Lauderdale-By-The-Sea implemented GASB 34 in fiscal year 2003. Prior to that date, this data was not maintained.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 4

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56	\$ 60
Unreserved, designated	1,360	1,450	2,443	1,346	1,368	2,070	2,475	3,389	3,310	8,740
Unreserved, undesignated	475	85	302	1,090	1,796	2,676	3,818	4,374	9,451	5,222
Total general fund	\$ 1,835	\$ 1,535	\$ 2,745	\$ 2,436	\$ 3,164	\$ 4,746	\$ 6,293	\$ 7,763	\$ 12,817	\$ 14,022
All other governmental funds:										
Unreserved, undesignated	\$ 552	\$ 785	\$ 1,403	\$ 5,224	\$ 9,750	\$ 9,832	\$ 3,005	\$ 2,880	\$ 913	\$ 156
Unreserved, designated	14	12	13	39	-	-	-	-	-	-
Special revenue funds	145	443	31	6,296	-	-	4,415	6,047	6,187	6,596
Capital project funds										
Total all other governmental funds	\$ 711	\$ 1,240	\$ 1,447	\$ 11,559	\$ 9,750	\$ 9,832	\$ 7,420	\$ 8,927	\$ 7,100	\$ 6,752

TABLE 5

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues:										
Property taxes and fire assessments	\$11,070,231	\$ 9,936,889	\$ 8,565,376	\$ 7,833,400	\$ 5,531,092	\$ 4,814,157	\$ 1,940,633	\$1,649,463	\$1,576,735	\$1,278,107
Franchise fees and utility taxes	1,621,017	1,436,887	1,367,937	1,324,511	1,298,731	1,278,311	1,002,015	886,470	819,166	674,732
Parking meters	-	-	-	-	-	-	522,205	529,239	426,393	408,338
Intergovernmental	1,105,240	1,117,108	1,029,253	1,236,821	1,326,982	732,080	380,643	326,690	286,943	283,968
Fines and forfeitures	261,746	484,816	451,109	584,927	522,436	599,220	452,617	468,163	401,327	283,252
Charges for services	209,990	198,798	540,762	696,934	558,188	559,787	31,937	571,127	547,090	481,900
Interest and other	790,138	637,029	593,123	170,729	690,604	382,058	319,334	184,351	201,875	122,720
Licenses and permits	200,610	191,363	106,684	80,573	67,035	66,369	95,132	61,444	63,741	61,419
Grants	154,875	1,475,654	213,335	325,481	558,331	41,638	21,506	30,813	-	53,972
Municipal fuel tax rebate	-	-	-	-	-	-	-	-	1,679	655
Miscellaneous revenues	172,465	240,127	4,258	223,720	76,599	-	-	-	-	-
Total revenues	15,586,312	15,718,671	12,871,837	12,477,096	10,629,998	8,473,620	4,766,022	4,707,760	4,324,949	3,649,063
Expenditures:										
Current:										
General government	1,931,495	2,174,935	1,550,657	1,528,070	1,461,860	1,219,149	1,139,701	802,030	725,422	699,432
Public safety	6,174,381	5,800,530	5,794,821	6,026,492	3,398,569	3,049,746	1,870,874	1,525,215	1,334,912	1,266,304
Roads and streets	1,226,939	1,215,885	1,373,894	1,131,320	868,121	802,256	628,133	608,384	533,218	447,640
Economic	-	-	-	-	-	-	1,688	-	-	-
Recreation	400,533	349,687	364,797	300,690	277,542	210,875	235,500	98,259	60,225	47,120
Physical environment	174,499	146,417	104,002	103,193	107,469	69,301	55,664	839,574	762,331	532,746
Capital outlay	1,474,802	3,034,637	1,140,175	1,998,326	3,444,555	1,471,042	138,097	538,306	349,265	231,734
Debt service:										
Principal	2,129,786	1,835,615	1,384,254	1,291,439	1,161,654	829,951	22,601	-	-	90,000
Interest	491,596	607,376	403,442	406,104	429,724	464,295	16,759	-	-	4,185
Total expenditures	14,004,031	15,165,082	12,116,042	12,785,634	11,149,494	8,116,615	4,109,017	4,411,768	3,765,373	3,319,161
Excess (deficiency) of revenues over expenditures	1,582,281	553,589	755,795	(308,538)	(519,496)	357,005	657,005	295,992	559,576	329,902
Other financing sources (uses):										
Proceeds from notes payable and capital leases	-	-	-	-	2,712,658	28,281	10,000,000	42,208	100,998	19,743
Transfers in	2,711,647	1,927,969	1,393,519	1,179,834	1,795,944	1,984,776	1,727,400	1,262,459	805,654	290,117
Transfers out	(3,456,105)	(3,254,565)	(2,121,866)	(1,739,771)	(2,321,745)	(2,447,042)	(1,953,962)	(1,262,459)	(805,654)	(290,117)
Debt issued	-	4,000,000	2,950,000	-	-	-	-	-	-	-
Total other financing sources (uses)	(744,458)	2,673,404	2,221,653	(559,917)	2,186,857	(433,985)	9,773,438	42,208	100,998	19,743
Net change in fund balances	837,823	3,226,993	2,977,448	(868,455)	1,667,361	(76,980)	10,430,443	338,200	660,574	349,645
Fund balances - beginning	19,936,289	16,690,028	13,712,581	14,581,036	12,913,675	12,990,654	4,191,916	2,340,445	1,679,871	1,330,226
Residual equity transfer	-	-	-	-	-	-	(624,980)	-	-	-
Fund balances - ending	\$20,774,112	\$19,917,021	\$16,690,029	\$13,712,581	\$14,581,036	\$12,913,674	\$13,997,379	\$2,678,645	\$2,340,445	\$1,679,871

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 6

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1) LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes and Fire Assessment Fees	Franchise Fees and Utility Taxes	Parking Meters	Licenses and Permits	Inter- Gov't	Charges Services	Fines and Forfeitures	Grants	Interest and Other	Total
1998	\$ 1,576,735	\$ 819,166	\$ 426,393	\$ 63,741	\$ 288,622	\$ 547,090	\$ 401,327	\$ -	\$ 201,875	\$ 4,324,949
1999	1,649,463	886,470	529,239	61,444	328,092	571,127	468,163	30,813	182,949	4,707,760
2000	1,761,322	954,994	491,304	55,897	374,416	643,183	470,803	8,004	343,709	5,103,632
2001	1,940,633	1,002,015	522,205	95,132	380,643	31,937	452,617	21,506	319,334	4,766,022
2002	4,814,157	1,278,311	496,185	66,369	732,080	63,601	599,220	41,638	382,058	8,473,620
2003	5,531,092	1,298,731	484,563	67,035	1,326,982	73,625	522,436	558,331	767,203	10,629,998
2004	7,833,400	1,324,511	526,748	80,573	1,236,821	170,186	584,927	325,481	394,449	12,477,096
2005	8,565,376	1,367,937	478,406	106,684	1,029,253	62,356	451,109	213,335	597,381	12,871,837
2006	9,936,889	1,436,887	146,804	191,363	1,117,108	51,994	484,816	1,475,654	877,156	15,718,671
2007	11,070,231	1,621,017	137,561	200,610	1,105,240	72,559	256,153	154,875	580,505	15,198,751

(1) Governmental Fund Types: General, Special Revenue and Capital Projects.

Note: From fiscal year September 30, 2002 and forward, parking meter revenue is reflected in charges for services as included in the government-wide financial statements. However, for the purpose of this table, we have separated parking meter revenue. For the fiscal year September 30, 2006, business parking meter revenue is reported in the Parking Revenue Improvement Funds.

From fiscal year September 30, 2001 and forward, sewer fees are reflected in the Sewer Fund as included in the Statement of Revenue, Expenses and Changes in Net Assets for the Proprietary Funds.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 7

PRELIMINARY RECAPITULATION OF THE AD VALOREM ASSESSMENT ROLLS LAST TEN FISCAL YEARS

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions		Assessed Property Value	Final Actual Taxable Value
			Real	Personal		
1998	\$ 439,918,640	\$ 14,423,656	\$ 31,013,910	\$ 13,604	\$ 423,314,782	\$ 441,512,884
1999	461,691,590	15,084,338	35,249,530	13,514	441,512,884	472,430,257
2000	497,729,400	15,279,811	40,565,170	13,514	472,430,527	526,839,586
2001	560,251,790	12,958,060	46,356,830	13,434	526,839,586	994,182,340
2002	1,162,796,770	13,701,721	62,867,630	2,634	1,113,628,227	1,141,197,502
2003	1,333,494,270	14,684,976	67,100,270	2,634	1,281,076,342	1,259,147,591
2004	1,504,774,160	16,453,097	72,512,650	2,634	1,448,711,973	1,453,739,511
2005	2,107,212,880	15,785,123	77,200,430	2,700	2,045,794,873	1,728,443,066
2006	2,689,777,920	17,527,962	82,761,920	2,700	2,624,541,262	2,140,677,012
2007	2,395,129,720	16,740,144	88,825,630	1,564	2,323,042,670	2,332,415,928

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-TH-SEA, FLORIDA

TABLE 8

PRINCIPAL PROPERTY TAXPAYERS

SEPTEMBER 30, 2007

	Taxpayer	Type of Use	2007			1998		
			Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Minto-Villas-by-the-Sea LLC		Condominiums	\$17,122,700	1	0.74%	N/A	N/A	N/A
VCH Properties LLC		Hotel	15,794,450	2	0.68%	N/A	N/A	N/A
Chateau De Mer LLC		Condominiums	14,268,970	3	0.61%	N/A	N/A	N/A
Mintzer, Terri R.		Hotel	14,134,770	4	0.61%	N/A	N/A	N/A
Pier Point LLC		Condominiums	10,579,310	5	0.46%	N/A	N/A	N/A
Stanco Mgt. Inc. - Time Share		Condominiums	7,829,830	6	0.34%	N/A	N/A	N/A
Driftwood Beach Club, Inc. - Time Share		Condominiums	5,890,220	7	0.25%	N/A	N/A	N/A
Buena Vista Oceanside LLC		Hotel	5,280,000	8	0.23%	N/A	N/A	N/A
Florida Power and Light Company		Utility	5,275,342	9	0.23%	N/A	N/A	N/A
Gulf Eastern Prp. Mgmt. Inc. - Timeshare		Condominiums	4,685,910	10	0.20%	N/A	N/A	N/A

Source: Tax Roll of Broward County, Florida

Note: Information for 1998 was not available

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 9

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Total Taxes Levied for <u>Fiscal Year</u>	Levied Taxes Collected within the Fiscal Year	
		<u>Amount</u>	<u>Percent of Levy</u>
1998	\$ 1,612,092	\$ 1,649,463	102.32%
1999	1,716,082	1,761,322	102.64%
2000	1,896,353	1,940,633	102.34%
2001	4,447,344	4,500,815	101.20%
2002	5,095,447	5,175,981	101.58%
2003	5,686,237	5,757,106	101.25%
2004	6,490,947	6,545,557	100.84%
2005	7,716,520	7,855,365	101.80%
2006	8,864,711	9,028,855	101.85%
2007	9,565,704	9,087,419	95.00%

Source: Town of Lauderdale-By-The-Sea budget

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 10

PROPERTY TAX RATES (PER \$1,000)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	State Special Districts							
	South				North			
	Lauderdale By-The-Sea	Broward County	Broward County Schools	Florida Inland Navigation	Florida Water Management	Broward Hospital	Hillsboro Inlet	Total
1998	3.8500	7.8380	9.9745	0.0500	0.6970	2.4087	0.1071	24.9253
1999	3.8500	7.5710	9.7256	0.0470	0.6970	2.5000	0.1021	24.4927
2000	3.8500	7.5270	8.9553	0.0410	0.6970	2.4803	0.1036	23.6542
2001	3.8500	7.5250	8.5410	0.0410	0.6970	2.4803	0.1036	23.2379
2002	4.7000	7.3650	8.8825	0.0385	0.6970	2.4803	0.1170	24.2803
2003	4.7000	7.1880	8.4176	0.0385	0.6970	2.5000	0.2490	23.7901
2004	4.7000	7.0230	8.2695	0.0385	0.6970	2.4803	0.1845	23.3928
2005	4.7000	6.7830	8.0623	0.0385	0.6970	2.1746	0.1845	22.6399
2006	4.7000	6.0661	7.8687	0.0385	0.6970	1.8317	0.1170	21.3190
2007	4.1012	5.2868	7.6484	0.0345	0.6240	1.6255	0.4432	19.7636

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 11

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (1)</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt</u>
1998	\$ 90,000	\$ 4,185	\$ 94,185	\$ 3,609,278	2.61%
1999	-	-	-	4,571,027	0.00%
2000	-	-	-	5,674,227	0.00%
2001	22,601	16,759	39,360	6,062,979	0.65%
2002	829,951	464,295	1,294,246	10,563,657	12.25%
2003	1,161,654	429,724	1,591,378	13,471,239	11.81%
2004	1,291,439	406,104	1,697,543	14,525,405	11.69%
2005	1,384,254	403,442	1,787,696	14,237,908	12.56%
2006	1,835,615	607,376	2,442,991	18,419,647	13.26%
2007	2,129,786	491,596	2,621,382	11,382,649	23.03%

(1) No general obligation debt 1998 - 2002. Promissory note obligation 1999-2002.

(2) Includes general, special, and capital projects funds, and transfers out.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 12

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Assessed Valuation</u>	<u>Governmental Funds Debt Service Payments</u>	<u>Proprietary Funds Debt Service Payments</u>	<u>Debt Payment % of Assessed Valuation</u>
2000/2001	518,283,213	-	118,076	0.0228%
2001/2002	994,182,340	1,254,888	118,076	0.1381%
2002/2003	1,137,417,925	1,398,740	118,076	0.1334%
2003/2004	1,259,147,594	1,697,544	-	0.1348%
2004/2005	1,453,739,511	1,697,544	-	0.1168%
2005/2006	1,728,223,953	1,791,551	266,614	0.1191%
2006/2007	2,145,120,642	2,408,153	266,614	0.1249%
2007/2008	2,332,415,928	2,109,888	266,614	0.1019%

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) Information prior to 2000 is not available.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 13

STATISTICS DEMOGRAPHICS AND ECONOMICS

SEPTEMBER 30, 2007

Date of Incorporation:	November 30, 1947	
Year of Charter Adoption:	1947	
Form of Town Government:	Commission-Manager	
Location:	Lauderdale-By-The-Sea is in the east-central part of Broward County and shares boundaries with three other municipalities. Its eastern boundary is the Atlantic Ocean. It is 30 miles north of Miami and 33 miles south of Palm Beach. The Town is just over 8.5 square miles in area and has a population of 5,991 with a peak seasonal population of 9,800. It is a seaside community with primary industries being retail trade, tourism/hospitality, finance, insurance and real estate.	
Number of Employees:	Full and Part-Time, Permanent Contractual	91.5
Recreation facilities:	Miles of Public Beach	2.3
	Miles of Navigable Water	2.3
	Parks	3
	Tennis Courts	2
	Shuffleboard Courts	2
	Bocci Ball Court	1
	Basketball Court	1
Infrastructure:	Town Buildings	6
	Fire Stations	2
	Fire Rescue Stations	2
	Surface Parking Lot	3
Socio-Economic Data:	Consumer Price Index (3)	3.7%
	Median Household Income	\$37,858
	Per Capital Income	\$36,595
Population Statistics:	Civilian Labor Force (1)	1,000.8
	Unemployment Rate (2)	3.8%

Source:

(1) United States Department of Labor - Bureau of Labor Statistics

Broward County, Florida - August and September 2007

A. Number of persons, in thousands, not seasonally adjusted.

B. In percent, not seasonally adjusted.

C. All urban consumers, base: 1982-84+100, not seasonally adjusted.

(2) State of Florida (My Florida) - Broward County - September 2007

(3) Bureau of Economic Analysis - U.S. Department of Commerce - Florida - 2005

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 14

PRINCIPAL EMPLOYERS

SEPTEMBER 30, 2007

<u>Employer</u>	2007			1998		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Sea Watch Restaurant	200	1	NA	NA	NA	NA
Aruba's Beach Café Restaurant	125	2	NA	NA	NA	NA
Lauderdale Beachside Hotel - Hotel and Restaurant	93	3	NA	NA	NA	NA
Holiday Inn - Hotel	89	4	NA	NA	NA	NA
Blue Moon Fish Company - Restaurant	72	5	NA	NA	NA	NA
Benihana - Restaurant	65	6	NA	NA	NA	NA
Total	<u>644</u>					

Source: Lauderdale-By-The-Sea Development Services

Note: Information for 1998 was unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 15

FULL TIME EQUIVALENT GOVERNMENT POSITIONS BY FUNCTION LAST TEN FISCAL YEARS

<u>Function</u>	<u>Full time Equivalent Positions as of September 30</u>									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Administration	11.0	11.0	11.0	10.5	9.5	9.5	8.5	9.0	8.0	6.0
Public Safety (contracted)	28.0	28.0	28.0	28.0	28.0	27.0	19.0	19.0	19.0	19.0
Fire and Fire Rescue (contracted)	83.5	62.5	62.5	53.5	53.5	51.5	51.0	50.0	47.0	45.0
Public Works	16.0	17.0	17.5	16.5	12.5	12.5	9.5	8.0	8.0	9.0
Development services	6.0	6.0	6.0	7.0	6.0	6.0	4.0	4.0	4.0	4.0
Parking Enforcement	3.0	4.0	5.0	5.5	5.5	5.5	4.5	4.0	4.0	2.0
Sewer	1.0	0.5	0.5	0.5	0.5	0.5	1.5	-	-	-
Parking	1.0	-	-	-	-	-	-	-	-	-
	<u>149.5</u>	<u>129.0</u>	<u>130.5</u>	<u>121.5</u>	<u>115.5</u>	<u>112.5</u>	<u>98.0</u>	<u>94.0</u>	<u>90.0</u>	<u>85.0</u>

Source: Lauderdale-By-The-Sea Finance Department.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 16

OPERATING INDICATORS BY FUNCTION LAST FOUR FISCAL YEARS

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Government:				
Informational calls received	6,250	11,500	15,000	13,000
Public records request	191	218	216	214
Resolutions	21	24	19	27
Ordinances	19	11	16	23
Commission meetings	32	59	53	41
Cash receipts - general operating	2,615	2,367	3,013	N/A
Cash disbursements - general operating	2,204	2,033	2,159	2,620
Payroll disbursements - general operating	1,248	1,245	1,222	1,274
Purchase orders issued	285	165	166	N/A
Claims processed - general liability and workers comp	15	12	18	11
Records management scheduled by tonnage	0.40	0.34	1.91	0.41
Hours of information technology services	92.8	61.5	133.0	N/A
Public safety:				
Informational calls received	7,764	8,868	8,694	5,307
Public records request	57	75	148	194
Citizen on patrol membership	29	37	34	33
Neighborhood crime watch membership	50	59	44	N/A
Fire responses	485	533	463	355
Fire medical services (EMS)	874	877	782	937
Notices of violations code compliance	595	495	717	461
Citations issued code compliance	14	19	43	25
Complaints investigated	331	285	119	410
Parking citations	16,505	16,475	15,740	16,778
Municipal services:				
Parking maintenance (hours)	2,550	4,661	1,818	N/A
Street maintenance and repairs (hours)	252	283	136	N/A
Ground maintenance and repairs (hours)	1,658	1,084	576	N/A
Building maintenance and repairs (hours)	6,491	5,009	2,716	N/A
	2,945	2,118	956	N/A
Cultural - recreation:				
Scheduled recreation activities	1,047	955	1,423	N/A
Recreation Volunteer hours	825	598	891	870
Recreation activity participants	5,596	5,553	5,096	5,591
Recreation areas maintenance (hours)	1,932	1,780	554	N/A

Note: Information prior to 2004 is unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 17

CAPITAL ASSETS BY FUNCTION LAST TEN FISCAL YEARS

<u>Function</u>	<u>Full Time Equivalent Employees as of September 30</u>									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
General Government Facilities:										
Town Buildings	6	6	6	6	5	5	5	5	5	5
Recreation Facilities:										
Miles of Public Beach	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Parks	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Shuffleboard Court	2	2	2	2	2	2	2	2	2	2
Bocci Ball Court	1	1	1	1	1	1	1	1	1	1
Basketball Court	1	1	1	1	1	1	1	1	1	1
Beach Portals	6	6	6	2	1	1	1	1	1	1
Public Safety Facilities:										
Police Station	1	1	1	1	1	1	1	1	1	1
Police Vehicles	30	30	30	30	30	29	11	11	10	10
Fire Stations	2	2	2	2	2	2	2	2	2	2
Fire Rescue Station	1	1	1	1	1	1	1	1	1	1
Fire Vehicles	2	2	2	2	2	2	2	2	2	2
Fire Rescue Vehicle	1	1	1	1	1	1	1	1	1	1
Infrastructure:										
Miles of paved roads	16.68	16.68	16.68	16.68	16.68	16.68	10.30	10.30	10.30	10.30
Cable television	1	1	1	1	1	1	1	1	1	1
Surface Parking Lot	3	2	2	1	1	1	1	1	1	1

**Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lauderdale-By-The-Sea, Florida (the Town) as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Lauderdale-By-The-Sea's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, Town Commission, management, and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin LLP

Fort Lauderdale, Florida
January 15, 2008

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the financial statements of the Town of Lauderdale-By-The-Sea, Florida (the Town) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated January 15, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in those reports which are dated January 15, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Lauderdale-By-The-Sea was incorporated by the Laws of Florida 27675. There are no component units related to the Town.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The assessment was done as of the fiscal year end. There were no findings that identified deteriorating financial conditions.

This management letter is intended solely for the information of the Honorable Mayor, Town Commission and Town Manager of the Town of Lauderdale-By-The-Sea, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin LHP

Fort Lauderdale, Florida
January 15, 2008

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

FINANCIAL STATEMENT FINDINGS

There are no findings for the current year.